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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Annual Local and Flexible Procurement Obligations for the 2016 and 2017 Compliance Years.

Rulemaking 14-10-010
(Filed October 16, 2014)

**COMMENTS OF THE INDEPENDENT ENERGY
PRODUCERS ASSOCIATION ON FLEXIBLE CAPACITY
REQUIREMENT STUDY PLANS**

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Dated: September 23, 2016

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The Assigned Commissioner and Administrative Law Judge's Phase 3 Scoping Memo and Ruling, issued on September 13, 2016, called for comments on Study Plans for Flexible Capacity Requirement (FCR) topics. The Independent Energy Producers Association (IEP) respectfully submits these comments in response to the Ruling.

Flexible Capacity Requirements Will Continue to Change and Evolve with the Electric System: The focus of Phase 2 and now Phase 3 of this proceeding has been on development of a “durable” FCR. The experience of the last few years and the prospects for future development of the electric grid, however, have made it clear that the nature of the flexible capacity needed to maintain system reliability will continue to evolve. For example, the expanding Energy Imbalance Market is already responding to a portion of the grid’s needs for flexibility, and the greater regionalization of the grid, if realized, will have an even greater effect on the need for flexible capacity. Increasing development of distributed energy resources and the integrated resource planning initiative underway at the Commission will likewise affect the need for FCR and the nature of the flexible capacity that is needed.

The Ruling recognizes some elements of this point in Guiding Question No. 3, which appears to acknowledge that the changing grid may result in a need for different types of flexible capacity products.

In light of these and other changes that will affect the grid and the need for and nature of flexible capacity, the Commission in Phase 3 should not focus on trying to define a “durable” FCR product. Instead, the Commission should strive to develop a stable framework for identifying (1) the attributes of flexible capacity needed to respond to the grid’s evolution, (2) the duration of the identified need, and (3) the extent (MW) of the need for FCR. The Study Plans should be designed to identify that framework, rather than attempting to determine a “durable” FCR for a rapidly changing grid.

Once the attributes, duration, and extent of the need for flexible capacity are identified, the primary mechanism for procuring the desired flexible capacity product should be an all-source competitive solicitation. As discussed in the next section, all technologies that can provide the identified product should compete in a technology-neutral solicitation.

System Need Should Define the FCR Product: It may seem circular to point out that the FCR product identified to meet the grid’s need should be defined by the needs of the grid, but IEP makes this point because of a concern that the FCR will be defined by the attributes of the technologies that are available to provide flexible capacity, rather than the needs of the system. For example, if the system needs resources to meet a 6-hour upward ramp, the FCR product should not be defined to accommodate a resource that can provide flexible upward supply for only one hour, even if that particular technology is favored for policy or other reasons. Efficiency and innovation will be stimulated if a varieties of technologies compete on a fair basis

to provide the needed product; attempts to shape the FCR product to meet the limitations of existing technologies could retard innovation and, worse, undermine the reliability of the grid.

Flexibility Should Include Downward Ramping: In Scoping Question No. 1, the Ruling asks, “What reliability needs must FCRs be designed to meet?” Similarly, Guiding Question No. 3 seeks information about the characteristics of flexibility that are needed now and over the next five years. Guiding Question No. 4 also asks about the characteristics of flexibility that are not currently being supplied through existing programs and mechanisms.

In response to these questions, IEP notes that much of the discussion of the need for flexible capacity has focused on upward ramping needed to account for the steep reduction in solar generation late in the afternoon as the evening peak demand period approaches. However, downward ramping capability may also be needed as solar generation increases sharply in the morning and load builds to mid-day levels. Downward ramping capability could also be useful in addressing periods of overgeneration, as an alternative to curtailing renewable generators (and potentially undermining the achievement of RPS goals). The CAISO has attempted to address this need by increasing requirements for regulation in its ancillary services market, but development of a downward flexibility capacity product may be a more efficient and cost-effective solution than curtailing renewables or incurring increased costs of regulation in ancillary services markets.

The CAISO should be encouraged to analyze the need for downward ramping capacity and an appropriate product to provide any required services and attributes should be procured through technology-neutral competitive solicitations.

Conclusion: For the reasons stated in these comments, the Independent Energy Producers Association respectfully urges the Commission to:

- develop a stable framework for identifying (1) the attributes of flexible capacity needed to respond to the grid's evolution, (2) the duration of the identified need, and (3) the extent (MW) of the need for FCR;
- define the needed FCR product by the needs of the grid, rather than by the attributes of the technologies that are available to provide flexible capacity;
- encourage the CAISO to analyze the need for downward ramping capability as a flexible capacity product; and
- require entities that are obligated to procure flexible capacity to procure the needed flexible capacity product primarily through a technology-neutral competitive solicitation.

Respectfully submitted September 23, 2016, at San Francisco, California.

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